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July 30, 2008

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

**Re: Docket No. WC 07-135, Establishing Just and Reasonable Rates for
Local Exchange Carriers**

Dear Ms. Dortch:

In a recent *ex parte* letter¹, Public Knowledge castigates interexchange carriers ("IXCs"), including AT&T, for urging the Commission to rein in the traffic-pumping practices of certain local exchange carriers and their conference-calling/chat-line partners. In the view of Public Knowledge, these traffic pumpers are nimble innovators that deserve the Commission's admiration, not its opprobrium. The remarkable irony of Public Knowledge, a staunch supporter of net neutrality, supporting a business plan built on exploitation of a terminating monopoly to cross-subsidize otherwise competitive services like conference calling, should not be lost on anyone.²

In its letter Public Knowledge describes a fantasy world in which the market power of IXCs is exercised to stifle competition and innovation, and to thereby maintain unreasonably high prices for conference calling services. In the real world, before the arrival of the traffic pumpers, conference calling was a competitive business characterized by low barriers to entry and falling prices. In the real world it is the traffic pumpers themselves that have skewed the marketplace³ by forcing interexchange customers generally to foot the bill for "free" services that are funded by traffic pumping.

While Public Knowledge may be confused about its position on terminating monopolies, the Commission should not be distracted. Traffic pumping is an acute symptom of a badly-broken intercarrier compensation system. The Commission should act decisively to finally reform that system and establish uniform terminating rates for all traffic and carriers at a level below existing rates. But if the Commission is unable to accomplish such reform it must put a stop to traffic pumping by adopting the remedies that AT&T has proposed.

¹ See July 24, 2008 Ex Parte From Gigi Sohn, President Public Knowledge

² Of course, there is a common denominator in Public Knowledge's position on both issues. In both contexts, it would force ordinary consumers to pay for services used by an elite few – in the net neutrality context by effectively forcing ordinary consumers to foot the bill for the extraordinary bandwidth demands of a small minority of Internet users, and in the traffic pumping context by forcing ordinary consumers to pay long-distance rates based on wildly inflated access charges that are used to finance "free" conference calling, sexually oriented chat lines, and other select services used by a small minority of consumers. That is, indeed, a perverse view of the public interest.

³ See May 15, 2008 Ex Parte from Dave Frankel, CEO of ZipDX, LLC.

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Pursuant to section 1.1206 of the Commission's Rules, this letter is being filed electronically with the Commission. If you have any questions, please contact me at (202) 457-3821.

Sincerely,

/s/Henry Hultquist

Henry Hultquist
Vice President-Federal Regulatory